NCA
VOC FOR IOP/FN
NEWS ANALYSIS NO. 1-1172 JULY 28, 1976
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MONEY SUPPLY, INFLATION AND ECONOMIC HEALTH

ANNCR:

THERE IS INCREASING RECOGNITION IN WORLD ECONOMIC CIRCLES THAT THERE ARE DEFINITIVE LINKS BETWEEN NATIONAL MONEY SUPPLIES, THE INFLATION RATE, AND THE STATUS OF ECONOMIES. VOA BUSINESS EDITOR FRANK FEINBERG LOOKS AT SOME OF THE ASPECTS:

VOICE:

THIS WEEK--ON TUESDAY--BOTH THE HEAD OF AMERICA'S CENTRAL BANK AND THE PARIS BASED ORGANIZATION FOR ECONOMIC COOPERATION SUPPORTED CONTINUING A MODERATE PACE IN ECONOMIC RECOVERY. THEY CONTEND THAT THIS LESSENS INFLATIONARY PRESSURES. . .AND IMPROVES THE CHANCES FOR SUSTAINED IMPROVEMENT AMONG THE INDUSTRIALIZED NATIONS.

CHAIRMAN ARTHUR BURNS OF THE FEDERAL RESERVE SYSTEM AND THE ECONOMISTS OF OECD'S TWENTY-FOUR MEMBER COUNTRIES SEE CONTINUING PROGRESS FROM THE PAST RECESSION. BUT THEY ALSO REMAIN CONCERNED ABOUT INFLATION.

ARTHUR BURNS TOLD LEGISLATORS THAT THE FEDERAL RESERVE BOARD, WHICH LARGELY REGULATES THE NATIONAL MONEY SUPPLY, INTENDS TO SLIGHTLY LOWER THE AVAILABLE AMOUNT OF MONEY. HE SAYS THE FED'S MODERATE MONETARY POLICY, TO DATE, HAS CONTRIBUTED TO THE ECONOMIC RECOVERY.

MEANTIME, THE OECD, IN ITS SEMI-ANNUAL REVIEW, ENVISAGES CONTINUING ECONOMIC IMPROVEMENT, ALTHOUGH IN VARYING DEGREES, IN WESTERN EUROPE, THE UNITED STATES AND JAPAN. THE INTERNATIONAL ECONOMISTS BELIEVE HOWEVER THAT ENDURING RECOVERY DEPENDS ON COMBINING PROGRESSIVE DECLINES IN BOTH INFLATION AND

UNEMPLOYMENT RATES.

THEIR REASONING IS THAT THE MAIN OBSTACLE TO LOWERING OF UNEMPLOYMENT IS A WORSENING OF INFLATION. THEY THINK THAT TOO MUCH MONEY IN CIRCULATION CAN INCREASE INFLATION. . . AND THAT INFLATION ITSELF IS A MAJOR CAUSE OF RECESSION. . . AND ENSUING UNEMPLOYMENT.

NOT ALL SUBSCRIBE TO THIS THEORY. FOR EXAMPLE, THE RESPECTED BANKING ECONOMIST, DOCTOR ALBERT WOJNILOWER OF BOSTON, SAYS THERE'S ROOM IN THE ECONOMY TO ABSORB GROWTH IN THE MONEY SUPPLY WITHOUT RAISING INFLATION ABOVE A FIVE TO SIX PERCENT ANNUAL RATE. DOCTOR WOJNILOWER AND OTHER CRITICS OF ARTHUR BURNS, INCLUDING DEMOCRATIC SENATOR HUBERT HUMPHREY, SAY THE GRADUAL ECONOMIC GROWTH DICTATED BY RESTRICTING THE MONEY SUPPLY WILL NOT BRING UNEMPLOYMENT DOWN FAST ENOUGH. THEY WOULD LIKE MORE STIMULATIVE ECONOMIC POLICIES.

THE ISSUE--MORE JOBS VERSUS THE INFLATION THREAT--WILL BE AN IMPORTANT ISSUE IN THE PRESIDENTIAL ELECTION CAMPAIGN. DEMOCRAT CANDIDATE JIMMY CARTER ALREADY HAS MADE THAT CLEAR. THE FORD ADMINISTRATION HAS SUPPORTED ARTHUR BURNS. IT'S A CLEAR CASE OF HONEST DIFFERENCES IN ECONOMIC PHILOSOPHY WHICH THE OCCUPANT OF THE WHITE HOUSE NEXT YEAR WILL JUDGE.

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